

Board of Trustees of Northeastern Illinois University

Finance, Buildings and Grounds Committee Meeting Minutes

August 27, 2019

A meeting of the Board of Trustees Finance, Buildings and Grounds Committee of Northeastern Illinois University met as follows on August 27, 2019 in the Student Union Golden Eagles Room located at 5500 N. St. Louis Ave., Chicago, IL. Trustee George Vukotich, Chair of the Committee, called the meeting to order at 9:32 a.m.

The following Trustee Committee Members were in attendance: Sherry Eagle and George Vukotich

Trustee Committee members not in attendance: Carlos Azcoitia

Other Trustees present: Barbara Fumo, Jim Palos, and Jonathan Stein

Also present: Dr. Gloria Gibson, President; Melissa Reardon Henry, Vice President for Legal Affairs and General Counsel; Karl Voigt, Assistant Secretary to the Board; Vice Presidents; staff; and University community members.

Opportunity for Public Comment in Accordance with Public Act 91-0715

Chair Vukotich announced the Opportunity for Public Comment. There were three requests to speak.

- 1. Dr. Mary Lou Jelachich** – Northeastern Neighbor
Topic: to speak about NEIU-owned buildings on Bryn Mawr west of Kimball
- 2. Dr. Rachel Birmingham-Hoel** – NEIU faculty member
Topic: ensuring safe spaces on campus in light of the invited speakers on September 12, 2019
- 3. Dr. Brett Stockdill** – NEIU faculty member
Topic: to speak on NEIU's invitation to former Trump Press Secretary, Sean Spicer

President Gibson asked Interim Associate Vice President for Finance, Ann McNabb to present the report on the Reserve Limits for Non-Indentured Entities. The Illinois General Assembly's Legislative Audit Commission has established guidelines for the maximum amount Universities may retain each year in reserve for revenue bond entities and non-indentured entities. These reserves may be used for building improvements and replacement costs, historical parking lot costs, and historical cost of moveable equipment. The University's current reserves for non-indentured entities are well within the maximum limits and therefore the University is not asking for the Board to change the current reserve amounts. Today's report is an information item.

Kyle Burke, Director of the Student Union, Events and Conference Services, presented on the proposed contractual agreement to between Northeastern and UIC's Credit Union 1 Arena to continue to hold commencement ceremonies there. Northeastern's grounds and facilities are not large enough to hold a single commencement ceremony each semester, and attendee tickets have to be limited. Since December 2011, Northeastern has held its commencement ceremonies at UIC. In an effort to manage expenses, Northeastern is requesting to enter into a 3-year agreement with UIC for commencement services in the amount of \$357,216. For a multi-year contract, Northeastern is able to lock in a better rental rate, and share other expenses such as labor, production costs, parking, and utilities. With the adjusted rate, Northeastern will save \$22,527 for six ceremonies over the next three years. Analysis of other venues in the area for commencement, such as the Wintrust Arena, proved to be costly. Trustees are in favor of the arrangement with UIC and recommend its approval by the board.

Interim Associate Vice President for Finance, Ann McNabb, provided an overview of the final FY20 Operating Budget. At its September 20, 2018 Board Meeting, Trustees approved the FY20 Operating and Capital Budget requests that were sent to the IBHE. At its June 13, 2019 Board Meeting, Trustees approved a preliminary version of the FY20 budget.

The University's FY20 Unrestricted Operating Budget financed from the State appropriation and tuition revenue will increase by \$402,500 from the FY2019 budget. This is a result of an increase in the state appropriation, offset by anticipated declines in student credit hour enrollments. This Unrestricted Operating Budget reflects the final state appropriation passed by the General Assembly of \$35,566,900, tuition revenues of \$51,934,800, differential revenues of \$480,000 and other revenues of \$865,000.

Final enrollment projections for the FY2020 budget are based upon past enrollment levels, the work of the Enrollment Services, and registration data through the time this report was finalized. Using 10th day enrollment census data, FY2019 (Fall 2018, Spring 2019, and Summer 2019) credit hour enrollments were, in total, 9.7 percent below that of the previous year. Projecting forward to FY2020 using multi-year trends and credit hour registration to date, the budget estimates project total annual credit hour enrollment to decline further by 6.3 percent from FY2019 levels.

Restricted budgets reflect fee rates as approved by the Board and using the same enrollment projections. Student fee program budgets are based on similar enrollments as the Unrestricted Operating Budget, and the fee rates approved in November, 2018 by the Board of Trustees. Estimates for auxiliary and grants are primarily based on historical revenue trends.

The University's total Operating Budget, reflecting both the unrestricted and restricted budgets, will decrease by \$694,700, or 0.5 percent from the FY2019 budget.

The Unrestricted Operating Budget is slightly greater than the prior year. The FY2020 Unrestricted Operating Budget includes amounts required to fund salary increases per the University's collective bargaining agreements. Over 80 percent of the University's Unrestricted Operating Budget is for personnel expense including benefits, and over half of the University's workforce is covered by collective bargaining agreements with five bargaining units. The FY2020 Budget reflects agreements with two bargaining units, a tentative agreement with another bargaining unit, and an allowance for two expired contracts and non-negotiated staff.

In FY2019, the University was required to make a contribution per its agreement with American Campus Community based on occupancy of The Nest. Based on current enrollment trends and The Nest occupancy projections, the FY2020 budget includes an allowance for an anticipated payment to address projected occupancy shortfalls.

Finally, included in the FY2020 final Unrestricted Operating Budget is a limited allowance to address potential further enrollment declines, strategic initiatives and mandatory unforeseen expense. This allowance was made possible through the more favorable state appropriation made known late in the budget cycle and through favorable projections for Other Income.

Following approval of the Operating Budget by the Board of Trustees, the University is required to submit a copy of the budget to the Illinois Board of Higher Education (IBHE). This is in response to an IBHE policy that is intended to "expand and enhance public university annual budget review, approval and oversight."

Quarterly budget-to-actual spending reports are made to the Board of Trustees. Unscheduled reports are made regarding any mid-year changes in State funding levels and any other State events or actions that impact the University budget.

Trustees asked clarifying questions about the materials presented and for additional budget detail.

Trustees requested that the University work on creating budgets that shift away from year-to-year budget modelling, and move toward budget modelling that considers multiple years in an effort to be more responsive to uncertain trends. Trustees had a discussion about the University's reserves and the recent changes in how reserves are calculated. President Gibson responded that multi-year budget modelling will be a key objective of the next Vice President for Finance and Administration. Trustees will continue the budget discussion as a full board at its September meeting, but the committee is comfortable making a recommendation to approve the budget based on the materials they received.

Ann McNabb presented the FY21 Operating and Capital Budgets request. The budget requests brought before the Board of Trustees and summarized in this report are FY2021 requests, for the year beginning July 1, 2020 and ending June 30, 2021.

Developing the FY2021 Unrestricted Operating Budget includes modest funding requests for salary increases and selected strategic initiatives recommended by the University Planning and Budget Council. Over the past few years, nearly all University departments have had their available spending reduced or held level to support faculty and staff salaries and unavoidable cost increases. The total of State appropriations and University Income Fund revenues represents the Unrestricted Operating Budget request that requires Board of Trustees approval and will be sent, following approval, to the Illinois Board of Higher Education for consideration.

The University Unrestricted Operating Budget request for FY2021 totals \$93,288,100, an increase of \$4,441,400, or 5.0 percent, above the FY2020 Unrestricted Operating Budget base. The FY2021 Unrestricted Operating Budget request includes salary and cost increases totaling \$2,281,400, and requests of \$2,160,000 for priority strategic planning initiatives.

Requested capital projects total \$276,416,200, with \$251,536,000 in Regular Capital projects and \$24,880,200 in Capital Renewal projects.

Trustees asked about some of the capital projects in the request. Trustees will recommend approval of the FY21 Operating and Capital Budgets Request.

Assistant Vice President for Facilities Management, Nancy Medina, provided an overview of the University's Construction projects. A program analysis and design drawings for the \$1.9M aluminum cable replacement project have been submitted to the Capital Development Board for review. The Program Analysis (PA) for the \$4.8M campus roof replacements has been submitted to CDB. Lech Walesa Hall, Building E, Building H, and BBH have been chosen to be the first roofs replaced due to their condition. Completion of the Education building construction documents, bid process and construction are still pending release of state funding by the Capital Development Board.

Trustees discussed the possibility of replacement of the campus signage. This matter will be added to the January 2020 agenda for further consideration.

Ann McNabb reviewed the list of purchases greater than \$50,000 but less than \$99,999.99. There was no discussion.

Ann McNabb reviewed the FY19 4th quarter budget to actuals report. The FY2019 budget includes State support of \$33,873,200 for the University's unrestricted general operating budget, or 38 percent of that budget comprised primarily of tuition revenues. The FY2019 budget includes estimated income funds of \$54,571,000, or 62 percent of the general operating unrestricted budget. Through the fourth quarter, 99.3 percent of estimated tuition and income fund revenue was recorded, after adjusting for anticipated waivers and bad debt.

Through the fourth quarter, the University spent 95.2 percent of the total \$88,444,200 general operating unrestricted preliminary budget. In October the University made a \$676,000 contribution

payment per its agreement with American Campus Community based on fall occupancy at The Nest student residence, and in March a \$1,253,873 payment based on spring occupancy. This expense was addressed, in part, through delaying hiring and reducing non-essential spending.

Trustees asked for further clarification about how the student housing shortfall is being addressed going forward.

Interim Executive Director of University Budgets, Michael Wenz, presented a report to the Trustees about the FY21 Preliminary Tuition and Fees. Trustees reviewed the tuition and fee process, how Northeastern compares to other IL public universities, the IL tuition guarantee program, and university revenue and spending considerations. Information about this report will be presented to Trustees at the October 24, 2019 Finance, Buildings and Grounds Committee meeting for approval at the November board meeting.

Trustees asked clarifying questions about the report and for additional information they would like to see in the October presentation.

Ann McNabb presented an informational report on two contract renewals that are part of the University's ERP Banner system. These were originally approved by the Board in 2006. Touchnet Payment Systems' original 10-year agreement obtained via RFP from Touchnet Information Systems expired on August 31, 2015. A Sole Source Justification for continued service with Touchnet Information Systems e-payment services was submitted to the State of Illinois Chief Procurement Office in 2015. At the June 18, 2015 meeting, the Board was informed that the Sole Source Agreement had been approved and will serve for six years. This Information Item addresses the fifth year of this six year agreement.

The original five year agreement obtained via RFP from Ellucian expired on June 30, 2018. A Sole Source Justification for continued service with Ellucian Banner Recruit (CRM) System was submitted to the State of Illinois Chief Procurement Office, in 2015. At the September 17, 2015 meeting, the Board was informed that the Sole Source Agreement had been approved and will serve for eight years. The recommendation was to continue to partner, with Ellucian, as NEIU's ERP Vendor of choice. This information Item addresses the fourth year of this eight year agreement. There was no discussion.

Ann McNabb presented a report on the FY18 Business Enterprise Program (BEP). The State of Illinois established the Business Enterprise Program for Minorities, Women, and Persons with Disabilities (BEP) to promote and encourage the continuing economic development of businesses owned by minorities, women, and persons with disabilities. To comply with guidelines established by this program, the State of Illinois sets goals for all state agencies and public universities and specifically requires Northeastern to establish a goal of making at least 20 percent of all purchases of commodities, equipment, and contractual services, after allowable exemptions, from certified minority, women, and persons with disabilities owned businesses.

In fiscal year 2018, the University established an aggregate BEP Compliance Plan Goal of \$338,564. The goal was exceeded by \$59,265 or 17.5 percent. In FY19, the University is on track to exceed its goal again. At present, the University is working on its FY20 plan in part due to an extension granted by CMS. There was no discussion.

Vice President for Student Affairs, Dr. Daniel Lopez, presented a student housing update. Move in day for fall 2019 was last Friday for 147 students. As of this morning's meeting, there are 162 residents living in The Nest, with 68 pending applications while financial aid is verified. The campaign to encourage Truman College, Wright College and Oakton Community College students to live in The Nest is ongoing. Visits to these campuses are underway, coupled with a recruitment campaign to encourage students at these local community colleges to transfer to Northeastern. Leasing will continue throughout the academic year.

Trustees asked about the community college effort and offered other recommendations for helping students to live more affordably in The Nest. The NEIU Foundation has also dedicated \$50,000 in housing scholarships to offset the gap between student financial aid and actual housing costs. Trustees asked what American Campus Communities is doing to help with the marketing of the student residence. Dr. Lopez reported that the University and ACC are working very closely together to help increase the student population.

Chief Marketing and Communications Officer, Mike Dizon, presented a brief overview of the University's marketing activities. There was no discussion.

There was no further business.

Adjourn

At 11:34 a.m., the Chair adjourned the meeting.

George Vukotich, Finance, Buildings and Grounds
Committee Chair

Karl Voigt, Assistant Board Secretary
approved September 19, 2019